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Testimony of Shirley Bergert¹ Before the Energy and Technology Committee Regarding H.B. No. 450

An Act Concerning Energy Conservation and Renewable Energy March 20, 2012

Recommended action:

- **Sec. 1: Funding for fuel oil conservation: SUPPORT**
- **Sec. 21: Electric and gas customer subsidies of conservation assistance for oil heated households: SUPPORT IF A SURCHARGE ON OIL IS ADOPTED**

A reliable funding source for conservation in fuel oil heated dwellings and commercial buildings is needed in Connecticut:

- Section 1 recreates a funding source for fuel oil conservation, but it is not sufficient to avoid current subsidies provided by utility customers for oil conservation.
- Section 21 authorizes the Department of Energy and Environmental Protection (DEEP) to determine the funding availability for fuel oil heated dwellings, removing the \$500,000 limit on utility customer subsidies for oil conservation.

To minimize the subsidy of oil heat customers by utility heat customers, a conservation surcharge should be placed on retail oil sales. Such a surcharge must take into account the impact on low income households. We recommend the charge not apply to oil deliveries to households which are eligible for energy assistance. This avoids utilizing limited energy assistance funding to indirectly support conservation.² There may well be oil industry opposition to such a surcharge, but it is a fair resolution of the subsidy problem. It will also minimize the ups and downs in funding for oil conservation that destabilize the developing green workforce.

Background:

Currently the major sources of conservation funding are electric customers who pay into Connecticut's Energy Efficiency Fund -- EEF or their municipal electric company conservation fund, and gas customers under charges set by the Public Utilities Regulatory Commission (PURA) and delivered through EEF. Because electric customer charges for EEF are tied to individual electricity consumption, electric heat customers pay relatively more towards conservation services than

¹ CT Legal Services represents low income state residents in civil legal matters. Shirley Bergert serves on the Low Income Energy Advisory Board, Energy Conservation Management Board, Fuel Oil Conservation Board, and the Advisory Board for the Institute for Sustainable Energy.

² Federal funding through the US Department of Energy is available for weatherization for low income dwellings, administered by Community Action Agencies under a DEEP plan.

households or businesses that heat with deliverable fuel. Reflecting a concern for fairness, state law caps the annual subsidy of residential utility heat customers for deliverable fuel heated customers at \$500,000.

Federal stimulus dollars and funding from RGGI (Regional Greenhouse Gas Initiative) have been directed to support conservation for oil heated households under the EEF Home Energy Solutions (HES) program, in the absence of another funding source. This is not a long-term solution. UI and CL&P administer EEF programs: UI anticipates running out of funding for oil heated households at the end of April and CL&P anticipates running out at the end of May.

Currently homeowners pay \$75 for a comprehensive energy assessment and services in HES, with detailed guidance on additional cost-effective measures that can be taken – a typical value of approximately \$600 - \$800. Once UI and CL&P exhaust the funding they have available for oil heated households, either the cost to the oil heated homeowner will have to rise significantly or alternative funds must be found. Experience has shown that a significant increase in cost to the homeowner results in reduced use of this nationally award winning program.

Failure to develop a long-term reliable funding source for deliverable fuel heated households has other important consequences:

- Connecticut has developed a network of well-trained and certified and appropriately equipped contractors to deliver HES and other conservation services. Some of these contractors are oil dealers who have developed a forward looking business model for this industry, working closely with the utilities. Lack of funding for oil heated household conservation results in these contractors laying off trained staff. When funding is again available, they must go through an expensive and time consuming process of hiring and training new staff.
- Households which heat with oil may be asked to wait excessive periods to receive HES services or to pay untenable amounts to receive the services. Demand for HES services drops when it isn't available or is perceived to be too expensive, and expensive marketing efforts must be undertaken to rebuild demand.

Connecticut has two conservation oversight boards which can ensure funding for deliverable fuel conservation is well spent: EEF's board and the Fuel Oil Conservation Board. Appropriate funding should be developed with these boards overseeing expenditures, ensuring coordinated delivery of conservation services.

There are other sections of this bill worthy of support:

- **Section 4** requires DEEP to examine the costs and benefits of developing programs to encourage conversion of buildings using heating oil to less expensive natural gas, and to increase efficiency of heating oil use, and make recommendations to the legislature regarding implementation.
- **Section 5** requires DEEP and the Department of Consumer Protection to identify barriers to heating oil dealer promotion of energy efficiency and report to the legislature.
- **Sections 6 and 7** require contractors building new homes or commercial buildings to inform their customers of state or federal incentives for installing energy efficient options in the dwelling or building. It is less expensive to do this in the first instance and avoids "lost opportunities", allowing the customer to include the cost of energy saving features in the financing of the building.